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UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

BLUE SUNSETS, LLC and JENCESS
SOFTWARE & TECHNOLOGIES, INC.,

Plaintiffs,

vs.

MYKALAI KONTILAI aka MICHAEL
CONTILE and COLLECTORS COFFEE,
INC. dba COLLECTORS CAFE,

Defendants.

COMPLAINT

JURY DEMAND

Plaintiffs Blue Sunsets, LLC ("BLUE SUNSETS") and Jencess Software & Technologies, Inc. ("JENCESS"), by and through their attorneys, Timothy J. Dennin, P.C. and Wolf, Rifkin, Shapiro, Schulman & Rabkin LLP, by way of Complaint against Defendants, state as follows:

SUMMARY

1. This case involves the unregistered sale of \$1,500,000 (ONE MILLION FIVE HUNDRED THOUSAND) Dollars of purported Series A preferred shares of Collectors Coffee, Inc. (dba COLLECTORS Cafe) ("COLLECTORS") to Plaintiffs.

1 2. As painstakingly detailed hereafter, Defendants made numerous material
2 misstatements and omissions, both oral and written, to Plaintiffs in connection with the offer and
3 sale of COLLECTORS'S securities. These misstatements include, *inter alia*, misrepresenting the
4 value of assets purportedly collateralizing Plaintiffs' respective investments and grossly inflating
5 the value of COLLECTORS'S inventory of collectibles memorabilia and number of Dealer
6 contracts.

7 3. Defendants provided each Plaintiff with a separate Private Placement
8 Memorandum ("PPM") both of which were dated April 28, 2008 regarding the same offering to
9 sell COLLECTORS'S Series A Preferred shares. Although related to the same purported offering,
10 these PPMs had many irreconcilable and material differences, including the number of shares
11 offered, the identity of the founders of COLLECTORS and the use of the proceeds of the offering.
12 In addition, these PPMs contained materially different information regarding monies purportedly
13 owed by COLLECTORS to Defendant Mykalai Kontilai ("MK"). For example, one version of the
14 PPM reflected that COLLECTORS purportedly "owed" Defendant MK \$600,000 in promissory
15 notes while another version omitted this information; one version of the PPM represented that
16 upon funding MK will receive \$300,000 for "compensation for past services" while another
17 version failed to disclose this information.

18 4. Further, as detailed herein, Defendants have violated their fiduciary duties to
19 Plaintiffs by repeatedly misrepresenting material facts about the company and the value of
20 Plaintiffs' investments, failing to perform the most basic material components of the business
21 plan, misusing and/or dissipating corporate assets as reflected by, *inter alia*, the failure and
22 lengthy delays in paying wages and fees owed to the skeleton crew of employees and consultants
23 hired by COLLECTORS (despite purportedly raising between \$20,000,000 to \$30,000,000 from
24 investors) and refusing to provide any financial statements regarding COLLECTORS or any
25 information regarding how Plaintiffs' \$1,500,000 (and other investors' money) entrusted to
26 Defendants was used.

27 5. By virtue of this conduct, Defendants violated §10(b) of the Securities Exchange
28 Act of 1934 (hereinafter also referred to as "Exchange Act") [15 U.S.C. §78j (b)] and Rule 10b-5

1 [17 CFR §240.10b-5] thereunder, as well as common law fraud, breach of fiduciary duty and other
2 common law violations.

3 **JURISDICTION and VENUE**

4 6. The Court has jurisdiction pursuant to §10(b) of the Exchange Act [15 U.S.C. §78j (b)] and
5 Rule 10b-5 [17 CFR §240.10b-5] and §21(d), §21(e) and §27 of the Exchange Act [15 U.S.C.
6 §§78u (d), 77u (e) and 78a (a)]. Defendants, directly or indirectly, singularly or in concert, have
7 made use of the means or instrumentalities of transportation or communication in, or the
8 instrumentalities of, interstate commerce, or the mails, in connection with the transactions, acts,
9 practices and courses of business alleged in this Complaint. The Court also has jurisdiction
10 pursuant to 28 U.S.C. §1332 (Diversity of Citizenship) and the amount in controversy exceeds
11 \$75,000.

12 7. Venue lies in this district pursuant to §27 of the Exchange Act [15 U.S.C. §78a (a)].
13 Certain of the transactions, acts, practices and courses of business constituting the violations
14 alleged herein, occurred within the District of Nevada. Furthermore, the parties herein, pursuant to
15 an executed subscription agreement, agreed to have this controversy heard in Clark County,
16 Nevada.

17 **THE PARTIES**

18 8. Plaintiff, BLUE SUNSETS, is a limited liability company formed November 16,
19 2007, with its principal place of business at 300 Brookside Road in Darien, Connecticut. BLUE
20 SUNSETS is an investor in residential real estate, startups and small businesses, and an
21 independent publisher of books on entrepreneurship. Edwin J. McLaughlin (“Ed McLaughlin”) is
22 the Managing Member and CEO of BLUE SUNSETS. Ed McLaughlin and his wife, Barbara B.
23 McLaughlin (“Barbara McLaughlin”), each own fifty percent of BLUE SUNSETS which is run
24 out of their home in Darien Connecticut. Ed McLaughlin and Barbara McLaughlin have been
25 married for 35 years and have raised three children ages 29, 28, and 23. Ed McLaughlin has been
26 investing in real estate, financial equities, and startups for almost 25 years. Ed McLaughlin is an
27 accredited and sophisticated investor. In addition to starting and building four startups, Ed
28 McLaughlin is an angel investor and advisor to entrepreneurs.

1 9. Ed McLaughlin has written and released two books on the subject of starting a
2 business: *The Purpose Is Profit: The Truth About Starting and Building Your Own Business* and
3 *The Startup Roadmap: 21 Steps to Profitability*. Besides writing, Ed McLaughlin speaks
4 frequently in public venues to entrepreneurs and business builders on best practices for building
5 profitable and sustainable businesses.

6 10. On or about October 6, 2014, BLUE SUNSETS “invested” \$500,000 into
7 COLLECTORS and received stock certificates for 500,000 shares of Series A preferred shares of
8 COLLECTORS. On October 9, 2014, BLUE SUNSETS exercised an option to “invest” an
9 additional \$500,000 and received stock certificates for an additional 500,000 shares of Series A
10 preferred shares of COLLECTORS qualifying BLUE SUNSETS to become a member of
11 COLLECTORS purported “Inner Circle of investors.” Overall, BLUE SUNSETS invested a total
12 of \$1,000,000 and received stock certificates for a total of 1,000,000 shares of Series A preferred
13 shares of COLLECTORS.

14 11. Plaintiff, JENCESS is a corporation incorporated in 1983 with its principal place of
15 business is in Edmonton, Canada. Kirk Jensen is the President of JENCESS. Mr. Jensen is a 57
16 year old, single father with two children, ages 14 and 12. Mr. Jensen has been investing in the
17 public markets over the past 20 years and in the private space over the last 15 years. Kirk Jensen
18 is the founder, and owned for 25 years, a successful international technology business that he sold
19 in 2007 to the Silicon Valley firm, Active. Mr. Jensen has invested in technology, land,
20 pharmaceutical, and oil and gas industries. On or about March 18, 2015, JENCESS “invested”
21 \$200,000; and, on or about May 15, 2015 “invested” an additional \$300,000 into COLLECTORS
22 and received stock certificates for 500,000 shares of Series A preferred shares of COLLECTORS.

23 12. Defendant COLLECTORS, according to the subscription agreements prepared by
24 Defendants and forwarded to Plaintiffs, has a principal place of business at 400 South 4th Street
25 Suite 100, Las Vegas, Nevada 89109. A PPM dated April 28, 2008, disseminated by Defendants
26 to Plaintiffs represents that COLLECTORS was incorporated on November 1, 2007 and
27 reorganized as a Nevada “C” corporation via merger on February 22, 2008.

1 16. In July 2014, Ed McLaughlin crossed paths with Mr. Chapman outside Tom
2 Bailey's Market in Spring Lake, New Jersey. During the happenstance meeting, Mr. Chapman
3 informed Mr. McLaughlin about a potential investment opportunity in COLLECTORS. Mr.
4 Chapman said that he was working for COLLECTORS sourcing funds from investors to
5 underwrite COLLECTORS'S growth and expansion plans. Mr. Chapman represented to Mr.
6 McLaughlin that COLLECTORS was going to make available the private collectibles market for
7 sale to the public through the internet. Mr. Chapman emphasized the size of the opportunity in the
8 \$250+ Billion Dollar per year global market in the collectibles and memorabilia industry. Mr.
9 Chapman claimed that COLLECTORS was ready to launch a transactional website filled with
10 collectibles and memorabilia for purchase and sale from a network of hundreds of Dealers.

11 17. During this meeting, Mr. Chapman represented that the business model would drive
12 significant profit on every transaction. Chapman highlighted that COLLECTORS had coordinated
13 with some of the largest insurance carriers in the world to provide an insurance policy
14 authenticating the value of each transaction. According to Chapman this would be a collectibles
15 industry first.

16 18. Chapman represented to Mr. McLaughlin that Larry King (host of Larry King Live)
17 would be hosting a weekly TV show, also named COLLECTORS Café, which would be
18 distributed to a national and international audience to draw people to the transactional website.

19 19. Chapman emphasized the importance of investing before the price per share
20 increased with the imminent launch of the transactional website and the TV Show. Mr.
21 McLaughlin asked about timing for the launch and the size of the investment and Mr. Chapman
22 stated that COLLECTORS was seeking a minimum \$500,000 investment to preserve the pre-
23 launch price and that everything was scheduled to lift-off within the next few months. Mr.
24 Chapman said he would like to set-up a meeting with the founder of COLLECTORS to provide
25 more specific insights and answers to Mr. McLaughlin's questions. Mr. McLaughlin said he
26 needed to learn more from Chapman before engaging with the founder and wasting anyone's time
27 – emphasizing that the sidewalk in front of Tom Bailey's Market was not the right venue to
28 continue the discussion.

1 20. At Mr. Chapman's request, a follow up meeting was held at Mr. McLaughlin's
2 summer home at 1603 Ocean Avenue in Spring Lake, New Jersey in August 2014 to discuss the
3 COLLECTORS investment opportunity. At this meeting, Mr. Chapman explained that the
4 company was the brainchild of an individual by the name of Mykalai Kontilai ("MK") who was
5 the former owner and executive producer of the PBS program "Nightly Business Report." Mr.
6 Chapman explained that MK had direct experience producing TV Shows and he was in the
7 process of finalizing the TV distribution contract for COLLECTORS. Mr. McLaughlin asked Mr.
8 Chapman about MK's track record and experience in starting, operating, and building businesses.
9 Mr. Chapman said the MK had taken over the "Nightly Business Report" reorganized the
10 business, reduced expenses, and, working in combination with the private equity firm that had
11 underwritten the acquisition, sold the business for a substantial profit.

12 21. During this meeting, Mr. Chapman advised Mr. McLaughlin that he would send a
13 link to the pilot TV Show hosted by Larry King and Shawn King, Larry's wife. Mr. Chapman
14 claimed that Larry and Shawn King were already filming the first season of episodes of
15 COLLECTORS Café in preparation for the formal launch of the TV Show within the next few
16 months.

17 22. Mr. Chapman stated to Mr. McLaughlin that in addition to the transactional
18 website, the TV Show, the insurance carriers, and the significant potential for profit,
19 COLLECTORS owned the original signed Jackie Robinson baseball contracts with the Brooklyn
20 Dodgers and the Montreal Royals. Chapman emphasized that this contract alone was worth more
21 than \$24 million (more recently appraised at \$36 million) providing a hard asset of value for each
22 investor prorated to their share of ownership. Chapman highlighted that at a \$50 million business
23 valuation, a \$500,000 investment would equate to a 1% ownership in the Jackie Robinson contract
24 with a prorated value of \$240,000 or more. According to Mr. Chapman this would provide Mr.
25 McLaughlin with a hard asset valued at approximately 50% or more of McLaughlin's original
26 investment.

27 23. Mr. Chapman said that he would like to set-up an online demonstration to introduce
28 MK and the website developer, Jason Schutzbank of Brand Knew, LLC, as soon as possible. Mr.

1 McLaughlin agreed to talk with MK about the specifics of the business including the business
2 model (how the company would make money), Larry King's involvement with the TV Show, the
3 role of the insurance carriers, the contractual commitment of the dealer network, the value of the
4 Jackie Robinson contracts, the functionality of the transactional website (Jason Schutzbank's
5 website development experience), and the timing for launching the business. The telephone
6 meeting with MK and the transactional website demonstration with Mr. Schutzbank was set for
7 October 1, 2014.

8 **Blue Sunsets' Introduction to Mykalai Kontilai**

9 24. On October 1, 2014 Mr. McLaughlin was introduced to MK and Jason Schutzbank,
10 the developer of the transactional website. MK re-explained and re-validated all of Chapman's
11 claims about the COLLECTORS business. During this call, MK represented that:

12 A. the website was available for demonstration now with formal launch within
13 the next 30 to 45 days (i.e. before Thanksgiving). MK shared that Mr. Schutzbank would
14 be demonstrating the functionality of the website later during the call. MK highlighted
15 Jason Schutzbank's experience in developing high profile websites.

16 B. COLLECTORS was in final contract negotiations with CNBC and PBS for
17 a weekly TV Show. Like Chapman, MK emphasized that the price of the stock would be
18 increased as soon as the TV Contract was signed. MK highlighted the need to make a
19 timely investment decision as the TV contract would be signed within the next 30 days.

20 C. Larry King and his wife, Shawn, were contracted to host the TV Show and
21 were busy producing the first season of new episodes.

22 D. COLLECTORS made 20% of the purchase price every time a collectible
23 was bought and 20% every time a collectible was sold through the transactional website.

24 E. COLLECTORS had already signed-up more than 400 dealers representing
25 \$3.25 Billion in collectible product inventory which would be available through the
26 transactional website.

1 F. every time someone purchased a collectible through the transactional
2 website it would be backed with an insurance policy, from one of the major insurance
3 carriers (AIG, Lloyd's, etc.), guaranteeing the value of each collectible.

4 G. the Jackie Robinson contracts were owned by COLLECTORS. MK
5 confirmed that based on a \$50 million valuation, a \$500,000 investment would equate to a
6 1% ownership in the Jackie Robinson contracts with a prorated value of \$240,000 or more
7 and that the Jackie Robinson contract alone provided McLaughlin with a hard asset value
8 equivalent to 50% or more on a \$500,000 investment.

9 25. During this call, MK asked Mr. Schutzbank to demonstrate the system. Mr.
10 Schutzbank walked through the features and functionality of the transactional website. Mr.
11 Schutzbank demonstrated how a transaction would be executed and fulfilled, how user groups
12 with shared interests would be formed, while MK highlighted that 3,000 categories of
13 memorabilia would be available through the site, and Schutzbank completed by demonstrating the
14 remaining features of the system. Since there was very little inventory on the site during the
15 demonstration, Mr. McLaughlin again asked MK about the Dealer network. MK represented that
16 the Dealers were already under contract and it was just a matter of loading the inventory on the
17 site.

18 26. Based on the representations referenced in ¶¶ 16-25 above, Mr. McLaughlin
19 expressed an interest in investing in COLLECTORS. MK said that Mr. McLaughlin would need to
20 make a decision before the website launched and the TV contract was signed to lock-in the \$1 per
21 share price. At that time, MK introduced the concept of the "Inner Circle of Investors" of \$1
22 million or more. MK emphasized that the Inner Circle of Investors would be provided early access
23 to pertinent information regarding the company's progress, business performance, special
24 invitations to events, access and use of company facilities, and an insider's view of
25 COLLECTORS operations. Finally, MK pressed that he was soon to launch the transactional
26 website and was in final negotiations on the TV contract and that it could be signed any day now.

1 27. On Wednesday evening, October 1, 2014, MK sent a follow-up email to Mr.
2 McLaughlin advising that he would send the investment documents as soon as a COLLECTORS
3 non-disclosure agreement was signed.

4 28. On Thursday morning, October 2, 2014, Mr. McLaughlin signed the non-disclosure
5 agreement and sent it to MK with copy to David Chapman advising that he was looking forward to
6 receiving the investment documents. The purported investment documents started to roll-in on
7 Thursday morning, October 2, 2014. During this same time frame, Mr. Chapman called and re-
8 emphasized the value associated with becoming an “Inner Circle Investor” at a \$1 million
9 minimum investment level. Like MK, Chapman highlighted early access to company progress and
10 performance, special invitations to events, access and use of company facilities, and an insider’s
11 view of COLLECTORS operations.

12 29. Within two hours, on Thursday, October 2, 2014 at 12:05 PM, Mr. McLaughlin
13 was sent a “Welcome to the COLLECTORS family” email from MK. The last paragraph of the
14 email highlighted the purported “Subscription Agreement subscribing you to 500,000 shares of
15 our Series A Preferred Stock.” MK added: “Counsel (Mr. Robert Sparks) has added some
16 additional language, granting a limited option to purchase an additional 500,000 shares Series A
17 preferred Shares with notice to the company required no later than Tuesday October 7, 2014, (See
18 Section 1.3 of the Subscription Agreement).” Mr. McLaughlin noted that every prior deadline for
19 investment was based on the website launch or the TV contract signing.

20 30. On October 2, 2014, MK sent to Mr. McLaughlin via email a “Business Plan” for
21 COLLECTORS and one page Executive Summary of COLLECTORS. This Business Plan and/or
22 Executive Summary represented, inter alia, that:

- 23 . COLLECTORS will revolutionize the industry by offering on-line over 3,000
- 24 categories and subcategories of collectibles in a safe “AUTHENTICITY
- 25 INSURED” environment (emphasis in original);
- 26 . the collectibles and memorabilia offered will be “pre-appraised, pre-authenticated
- 27 and pre-insured”;
- 28 . the “centerpiece of the COLLECTORS Café brand is a TV series currently being

1 negotiated to be distributed for either national or international television in 2015”;
2 . the “show is hosted by legendary broadcaster Larry King and celebrity entertainer
3 and former host of Hollywood Today Shawn King”;
4 . “with tens of millions of dollars in inventory being loaded for sale now, from which
5 millions of dollars will net flow to the bottom line and with 50 Million shares
6 authorized, the value in the \$1.00 per share offer in the Private Placement
7 Memorandum today, is prevalent”;
8 . “[T]he company is debt free and also holds an additional 25 million asset”; and
9 . COLLECTORS Cafe has raised close to 20 million dollars from outside accredited
10 investors.

11 31. The Business Plan described a three phase “rollout strategy”. In phase one, in the
12 4th quarter of 2014, the “plan calls for:

13 . launch of a web portal consisting of a global marketplace and social networking
14 site, partnerships with master dealers and user-generated auction consignments;
15 . launch initial of [sic] live action and
16 . a national public relations campaign across all media platforms”.

17 32. According to the Business Plan, phase two in the 1st quarter to 3rd quarter of 2015
18 “will see:

19 . launch of the COLLECTORS Café Television Series;
20 . Pre-Production of a National Radio show, further increasing audience reach and
21 brand awareness;
22 . Rollout of limited edition replica collectibles and licensing of collectibles- related
23 products; and
24 . Rollout of ‘Celebrity Collect’ on the website will allow fans to purchase directly
25 from 100’s of celebrities.”

26 33. According to the Business Plan, in phase three, by the 4th quarter of 2015, “the
27 Company will:

1 34. “Rollout the international distribution of the television show as well as our
2 announcement for our upcoming national collectibles convention, ‘The Collector Bowl’”.

3 35. On October 2, 2014, MK also sent to Mr. McLaughlin via email a thick multi-page
4 PPM dated *April 28, 2008*. In addition to this PPM, MK forwarded the following amendments to
5 the PPM in an attachment to the email: 1st amendment (dated March 9, 2009), 2nd amendment
6 (dated November 8, 2009) and 3rd amendment (dated August 15, 2014). Although the PPM and
7 three amendments were labeled “draft”, these offering documents were the only PPM and
8 amendments provided to Mr. McLaughlin prior to the 1,000,000 “investment” in COLLECTORS
9 (more than six years after the date of the PPM).

10 36. The April 28, 2008 version of the PPM sent to Mr. McLaughlin represented, inter
11 alia, that:

- 12 . the total aggregate offering amount was \$10,000,000 (with 50,000,000 shares
- 13 authorized);
- 14 . the securities are being offered by COLLECTORS for the “general purpose of
- 15 retiring existing company debt”;
- 16 . Company “reserves the right to pay up to 15% of the aggregate offering amount for
- 17 commissions and fees to licensed broker-dealers or sales representatives”;
- 18 . that upon funding, MK will receive \$300,000 and a stock bonus plan as
- 19 compensation for past services;
- 20 . the founders of COLLECTORS are MK and Gary L. Ferrell; and
- 21 . COLLECTORS owes approximately \$600,000 in “promissory notes” to MK.

22 37. Later the evening of Thursday, October 2, 2014, Mr. McLaughlin received an
23 invitation to an event at AON Risk Solutions signed by MK and two others to attend an event on
24 Tuesday morning, October 7, 2014 titled: “Please join us to meet Collectors Café: Mykalai
25 Kontilai, Larry and Shawn King and Mr. Carlos Slim” and “The purpose of our meeting is to
26 provide our Insurance Partners with a special, private preview of the first Collectors Café episode,
27 and introduce the Kings and Mr. Slim to representatives of the participating Collectors Café
28 Insurance Partner Consortium.” The email also represented that Carlos Slim, principal investor

1 and co-owner of Ora TV “will be producing Collectors Café for distribution on global television.”
2 Mr. McLaughlin confirmed his attendance to MK on Friday morning, October 3, 2014.

3 38. In reliance on the representations detailed in ¶¶ 16-25; 30-37 above, on October 6,
4 2014, BLUE SUNSETS “invested” \$500,000 into COLLECTORS. BLUE SUNSETS and
5 received stock certificates for 500,000 shares of Series A preferred shares of COLLECTORS.

6 39. McLaughlin attended the presentation on the morning of October 7, 2014,
7 regarding COLLECTORS at 199 Water Street the headquarters of AON in New York City.
8 Present at this meeting were various insurance representatives and executives, MK, Dave
9 Chapman, Larry and Shawn King and Karl Ege, Mr. King’s business manager, Pamela Newman,
10 Regina Steinborn (a member of Pamela’s Team and a personal friend) and Jason Schutzbank, the
11 website developer.

12 40. At this meeting, the following representations were made by MK to Mr.
13 McLaughlin and other meeting attendees:

- 14 . talk show host Larry King and his wife Shawn King will be hosting a weekly TV
15 show called COLLECTORS Café;
- 16 . Carlos Slim, a billionaire Mexican magnate is a business partner with Larry King
17 and MK in COLLECTORS;
- 18 . Carlos Slim will underwrite the TV production costs for COLLECTORS through
19 ORA TV, a television production company funded and owned by Carlos Slim;
- 20 . Carlos Slim will distribute COLLECTORS’S TV show through ORA TV and to
21 Central America via his mobile phone company, America Movil;
- 22 . the transactional website for COLLECTORS will be fully operational by year end
23 2014;
- 24 . that COLLECTORS has entered into contracts with 400 dealers to transact
25 inventory in excess of \$3,000,000,000 (THREE BILLION DOLLARS) through
26 COLLECTORS’S website; and
- 27 . that COLLECTORS was the exclusive owner of the highly valued and sought after
28 piece of American history; the original signed contract of Jackie Robinson (the first

1 black baseball player to play in modern day major league baseball). This unique
2 piece of memorabilia would be used to draw attention to the Collectors café
3 transactional website.

4 41. Thereafter Larry and Shawn King explained their roles and played the first episode
5 of Collectors Café followed by Jason Schutzbank's demonstration of the transactional website.
6 The meeting ended with a short question and answer session from the insurance carriers and the
7 meeting came to a close.

8 42. Immediately following the meeting, MK and Mr. Chapman had lunch with Mr.
9 McLaughlin in the first floor restaurant at 199 Water Street to address remaining questions and
10 press McLaughlin to become an "Inner Circle Investor" by exercising the option for the second
11 \$500,000 investment which was set to expire that day. As a result of the presentation meeting and
12 reconfirming the launch timeframe, Mr. McLaughlin asked MK for an extension on the option to
13 purchase the additional 500,000 shares until Thursday, October 9, 2014. MK approved the
14 extension but highlighted that McLaughlin needed to make a decision because the TV contract
15 was in final negotiation and the website would be launched within the next 30 days.

16 43. As a result of and in reliance on the representations made above in ¶¶ 16-25; 30-37;
17 40-41, BLUE SUNSETS, on October 9, 2014, made an additional "investment" of \$500,000 (in
18 addition to the October 6, 2014 purchase for a total of \$1,000,000) in COLLECTORS'S Series A
19 preferred stock. A subscription agreement related to the initial \$500,000 investment on October 6,
20 2014 represented that the COLLECTORS'S shares were "being offered and sold in reliance on
21 exemption from registration provided by Sections 3(b) and/or 4(2) of the 1933 Act and Regulation
22 D promulgated thereunder".

23 44. A review of the United States Securities and Exchange ("SEC") Edgar database
24 confirmed that at no time did COLLECTORS file a Form D with the SEC as required in
25 connection with the offer and sale of these unregistered securities to the public. Further, in order to
26 sell these unregistered shares to BLUE SUNSETS, (a Connecticut resident) Defendants were
27 required to file for and obtain an exemption to sell these unregistered securities to Connecticut
28 residents. Correspondence with the Connecticut Securities and Business Investments Division

1 confirms that COLLECTORS filed no registration statement, no notice of claim for exemption and
2 no business opportunity filing as required under Connecticut Uniform Securities Act (“CUSA”)
3 §36b-31-21b et. seq. Confirmation of Defendants’ failure to file for and obtain federal and state
4 exemptions to sell these unregistered securities were obtained by counsel in February 2017 in
5 preparation of the instant claim.

6 45. Between October 9, 2014 and December 31, 2014 McLaughlin questioned MK and
7 Chapman from time to time about COLLECTORS progress versus the communicated launch
8 plans that constituted, in large part, the basis for BLUE SUNSETS investment. Even though Mr.
9 McLaughlin understood the challenges associated with a business launch, McLaughlin was
10 concerned that none of the “big 4” components of COLLECTORS business plan had launched in
11 2014. COLLECTORS did not populate the website with the inventory under the purported Dealer
12 contracts in 2014, COLLECTORS did not launch the transactional website in 2014,
13 COLLECTORS did not sign the TV Contract in 2014, and the Collectors Café TV Show with
14 Larry and Shawn King did not launch in 2014 as planned, presented, and communicated by MK
15 and Mr. Chapman in the meetings, discussions, and demonstrations used to induce McLaughlin’s
16 investment in COLLECTORS.

17 46. In early December 2014, Mr. Chapman approached Mr. McLaughlin about
18 participating in a “screen test” to host a segment of COLLECTORS called the “Collector
19 Investor.” Mr. McLaughlin expressed an interest as a public vehicle that could help support the
20 launch of his book: “The Purpose Is Profit: The Truth About Starting and Building Your Own
21 Business.” Mr. McLaughlin advised Mr. Chapman that it was too close to Christmas to make a trip
22 out to Los Angeles in mid-December. Mr. Chapman persisted and Mr. McLaughlin agreed to
23 make the trip. As outlined in the agenda sent by Mr. Chapman to Mr. McLaughlin on December
24 10, 2014, McLaughlin would be meeting with Gail Holt, COLLECTORS Chief Operating Officer
25 (“COO”), Larry and Shawn King and his business manager, Karl Ege, Rick Joseph, Entertainment
26 Counsel, Ron Bloom of Bitesize TV, and Steve Jackson, a significant investor in COLLECTORS.
27 Ron Bloom handled the screen test and all of the meetings went well. Upon McLaughlin’s return,
28 MK sent an email to Mr. McLaughlin on December 17, 2014 saying that he had reviewed the

1 screen test and relayed that “the camera likes him (you)” and then suggested “the next step is to
2 see if we can come to some sort of agreement on the business side.” MK’s email continued that:
3 “this would need to take place sooner rather than later as we are making a final selection prior to
4 the business holiday.”

5 47. Upon receiving MK’s email, Mr. McLaughlin called Mr. Chapman to decipher the
6 meaning. Mr. Chapman drove to Mr. McLaughlin’s home in Connecticut to share that MK wanted
7 Mr. McLaughlin to invest \$4 million of additional capital to secure the role of the “Collector
8 Investor.”

9 48. On December 17, 2014, McLaughlin advised MK “if you want me to write a check,
10 then I need to remove myself from consideration.” MK’s reaction was to respond to Mr.
11 McLaughlin’s email: “It is not important that you personally write a check for consideration, but
12 the company must benefit with some financial consideration on this project in return for the
13 business opportunity.” Then MK proceeded: “Another candidate offered to raise some capital for a
14 non-dilution post launch round at a higher valuation. This is something that could work as well.”

15 49. On December 18, 2014, Mr. McLaughlin wrote to MK again stating: “There was
16 no upfront discussion whatsoever around paying for the role. If I had been informed of that request
17 in advance, I would have communicated my concerns upfront and changed the trip plans
18 accordingly.” Then Mr. McLaughlin closed by saying again: “you should pursue your alternatives
19 for the role.”

20 50. This resulted in a string of emails from MK and Chapman subtly pressuring
21 McLaughlin to raise capital for the venture from McLaughlin’s friends and business associates in
22 exchange for the “Investor Collector” role. Again on January 4, 2015, McLaughlin wrote to MK
23 with copy to Rick Joseph, COLLECTORS Entertainment Counsel, and Dave Chapman: “I am
24 writing to give you a heads-up that you should pursue other alternatives for the Collector Investor
25 role. After much reflection, I cannot represent the investment to my friends and business
26 relationships without being clear that I have something to gain.” This resulted in more pressure
27 causing McLaughlin to write MK with copy to Joseph and Chapman on January 5, 2015: “After
28

1 reflecting over the holidays, I concluded that I was not comfortable sourcing additional investment
2 dollars in exchange for filling the role.”

3 51. MK continued to press Mr. McLaughlin to assume the Collector Investor role and
4 McLaughlin even reconsidered. On January 12, 2015, MK sent McLaughlin a specific script to be
5 used for sourcing funds from friends, family, and business associates. The script enumerated most
6 of the major components of the business (none of which had come to fruition). The last few words
7 in the email read: “...this amazing deal sells itself.”

8 52. McLaughlin was not comfortable with the situation and consulted with M.
9 Ridgway Barker, Head of the Securities Practice at Kelley Drye & Warren. Ridg Barker was a
10 friend of McLaughlin’s for almost 25 years. Barker stated to McLaughlin that you cannot source
11 funding without very clearly specifying that you are not a registered broker/dealer and you cannot
12 be compensated for making an introduction. After a final consultation with Mr. Barker,
13 McLaughlin made a final decision that he would not source any capital for COLLECTORS.

14 53. In the end analysis, like everything else with COLLECTORS, the “Collector
15 Investor” role was never implemented because the COLLECTOR TV show never launched. It is
16 now apparent that the whole thing was a sham to pressure and induce McLaughlin to invest more
17 money and/or source money from unsuspecting friends and business associates. McLaughlin did
18 not invest any more money in COLLECTORS and McLaughlin did not source any money from
19 his friends and/or business associates for COLLECTORS.

20 54. Given McLaughlin’s dealings with MK in December 2014 and January 2015, and
21 since none of the “big 4” components of the COLLECTORS business had launched in 2014;
22 McLaughlin became increasingly uncomfortable with his investment in COLLECTORS.
23 Additionally, although an Inner Circle Investor, McLaughlin had no access to information
24 regarding company progress and no access to financials or business performance information. Up
25 to that point in time, the only source of information about COLLECTORS was through 1-off
26 phone calls with MK. Since every phone call with MK was a pitch for more money and
27 McLaughlin was starting to question MK’s integrity, McLaughlin did not trust the content of a 1-
28

1 off phone call with MK. In effect, MK could say anything on a phone call but never be held
2 accountable because no one else would simultaneously hear what MK was saying.

3 55. In an effort to secure a progress update, McLaughlin attempted to coordinate a
4 dinner meeting with MK in New York in mid-March 2015 and when that failed, at Mr.
5 McLaughlin's home in April 2015. Neither meeting took place.

6 56. At Mr. McLaughlin's request, a phone call for Sunday, April 12, 2015 was
7 scheduled between MK and McLaughlin. In advance of the call, McLaughlin sent an email to MK
8 on Sunday, April 12, 2015 requesting (McLaughlin was seeking transparency about
9 COLLECTORS): "I would like to know what is working and what is not working (progress vs.
10 goals, opportunities, and challenges)." In the email McLaughlin wrote: "I have made bigger
11 investments that have failed – so I am not afraid of a bad outcome – I just want to be informed and
12 maybe help -rather than be surprised." McLaughlin also wrote: "I have generated a list of
13 questions to maximize the productivity of the call. I do this as a matter of course for all of my
14 investment calls. Based on your (MK's) request (not to send the written questions), I will not send
15 them to you in advance – unless you advise me otherwise." Rather than field 1-off phone calls,
16 McLaughlin asked MK to produce a "single-page bullet-ized Monthly Investor Report listing
17 accomplishments, opportunities, challenges and inhibitors to success."

18 57. MK responded to McLaughlin's email on Sunday, April 12, 2015: "I have no idea
19 where you are getting the impression that the company is in a bad place or why you feel the need
20 to ask me that question." The manipulation continued when MK added: "It feels like to me, that
21 things became strained with our relationship after we interviewed you for the Collector Investor
22 Digital role and all that went along with that process."

23 58. During the April 12, 2015 phone call, MK failed to address that none of the "big 4"
24 components of COLLECTORS business plan had launched in 2014. During this conversation, Mr.
25 McLaughlin stated in words or substance to MK that: "You have a fiduciary responsibility to take
26 the horse (COLLECTORS) out of the barn (launch the business) and let it break from the gate
27 (secure market feedback) and run the race (succeed or pivot and try again). I understand that the
28 jockey may get thrown from the horse or the horse may break its leg or the horse may come in

1 dead last. Your investors have put their good faith in you to fulfill your promises and let the horse
2 run the race.”

3 59. On Monday, April 13, 2015 McLaughlin wrote to MK: “I still have questions that I
4 would like to get answered. I will send my questions to you this afternoon. Next time we talk, we
5 should share the speaking time during the call to ensure we both get everything on the table.”
6 McLaughlin continued: “I am not comfortable with the way the business plan and the business
7 model seems to change so much at this late stage...Please keep in mind that investments were
8 made under certain pretense – and the business has been in the thinking and adjust phase for years
9 before my investment.” McLaughlin relayed: “You can always make adjustments after lift-off
10 based on results – but consuming capital without a specific plan is risky.”

11 60. On Tuesday, April 14, 2015 McLaughlin requested a copy of COLLECTORS’S
12 financial statements and sent along his list of questions to MK. The list of investor questions are
13 summarized below:

- 14 A. What is the status of the Business Model?
- 15 B. Who makes up the Collectors Café Management Team?
- 16 C. What is the status of Carlos Slim’s involvement?
- 17 D. What are the primary assets of Collectors café?
- 18 E. Does Collectors café still own the Jackie Robinson Contract?
- 19 F. Can you send me a set of Financials on the Collectors Café Business?
20 (Monthly income Statement, Balance Sheet, etc.)
- 21 G. Where does the Collectors café Business operate (NYC, Las Vegas, San
22 Diego?)
- 23 H. What is the status of the Television Show? Is Larry King still hosting the
24 TV Show? When will the Collectors Café TV be broadcasted?
- 25 I. What is the status of the internet site (transaction site)?
- 26 J. What is the status of the Collectibles Providers/Dealers?
- 27 K. What are the primary inhibitors to success?
- 28 L. Who are the primary investors in the Collectors Café business?

1 M. Besides Collectors Coffee, does Collectors Café go under any other legal
2 name?

3 61. Via email on April 14, 2015, MK responded to Mr. McLaughlin's email stating that
4 he will only communicate via the phone or through (verbal) updates or (verbal) status reports to all
5 investors. MK failed to answer any of Mr. McLaughlin's questions and did not provide any of the
6 requested financial statements for the company.

7 62. Although the PPM referenced By-Laws, Articles of Incorporation and Financials in
8 an appendix, no such documents were attached and, although requested, no such documents have
9 ever been provided to Plaintiffs.

10 63. On May 3, 2015, McLaughlin sent MK the following: "I have been mulling our
11 recent correspondence and dialogue. I am not comfortable. It is my opinion that the attached
12 questions that I have raised are questions that any investor would be entitled to know before and
13 during the life of their investment. I will validate my opinion with an attorney." McLaughlin
14 continued: "Also, I want to go on record that I disagree with many of your comments and
15 characterizations in your correspondence. In regards to this matter, you do not need to tell me what
16 I can do or what I cannot do. Any more than I can tell you what to do or not to do. The playing
17 field is perfectly level and I am sure that neither party is intimidated." On May 4, 2015, Mr.
18 McLaughlin received a response from Gail Holt, COO of Collectors Café. "I believe you are
19 mistaken if you believe you have a legal right to this information based upon your current
20 investment in the Company."

21 64. Between mid-May, 2015 and November 16, 2015, McLaughlin focused on
22 completing his book *The Purpose Is Profit*. During this time frame, Mr. McLaughlin spoke
23 infrequently with MK and Dave Chapman about COLLECTORS progress. However, Mr.
24 McLaughlin was very concerned that another year had gone by without completing and launching
25 any of the "big 4" components of COLLECTORS business plan in 2015. COLLECTORS did not
26 populate the website with the inventory under the purported Dealer contracts in 2015,
27 COLLECTORS did not launch the transactional website in 2015, COLLECTORS did not sign the
28 TV Contract in 2015, and the Collectors Café TV Show with Larry and Shawn King did not

1 launch in 2015 as represented by MK and Mr. Chapman in the meetings, discussions,
2 demonstrations, and referenced in the purported investment documents used to induce
3 McLaughlin's investment in COLLECTORS.

4 65. Then on November 16, 2015, McLaughlin received an email from MK labeled:
5 Official Collectors Café Launch. McLaughlin was skeptical but cautiously optimistic. The
6 announcement from MK read as follows: "The Company will launch on a date during the week of
7 January 25, 2016 through January 31, 2016. The launch will include the unveiling of our
8 Legendary Collectible Assets, National TV Appearances, the Launch of our CC North American
9 Collectible Tour and a VIP Event. I would like to thank all of you personally for all your patience
10 and support over the years and look forward to seeing you all soon."

11 66. The prospect of the Collectors Café Business Launch and implementing the "big 4"
12 plus the unveiling of the Jackie Robinson contracts offered renewed hope to Mr. McLaughlin and
13 re-opened dialogue with MK. In or around March 2016 Larry King and MK endorsed Mr.
14 McLaughlin's book.

15 67. The Launch was postponed until April 11, 2016 to coordinate with the anniversary
16 of the signing of Jackie Robinson's contract. There would be an unveiling of the Jackie Robinson
17 contract in Times Square with numerous luminaries including Larry King hailing the occasion.
18 There was a black tie event in the Rainbow Room at Rockefeller Center that evening to formally
19 kick-off Collectors Café. McLaughlin was excited to meet and connect with the other investors –
20 until that point most of the COLLECTORS'S investors were kept separate from one another.

21 68. McLaughlin attended the Rainbow Room Launch Party on April 11, 2016 and MK
22 announced that COLLECTORS was launching the website and "the Collectibles Revolution was
23 about to begin." MK thanked all of the investors for their patience and confirmed his commitment
24 to fulfill all aspects of the COLLECTORS business. In addition to the launch of the transactional
25 website, MK stated he would be leading a national tour with the Jackie Robinson contracts (which
26 had recently been formally appraised at \$36 million dollars) to optimize TV coverage purportedly
27 for the formal public launch of COLLECTORS.

1 69. In an effort to improve McLaughlin's relationship with MK and acknowledge the
2 COLLECTORS launch, McLaughlin wrote an email to MK on April 12, 2016 stating: "I learned a
3 lot last night. You are a first rate guy all the way! It was so nice to meet so many wonderful people
4 – and especially nice to meet your wife. I am very excited about Collectors Café and the
5 wonderful team that you have organized to realize the vision. It is really exciting to see the
6 business lift-off." McLaughlin would soon find out he had written his acknowledgement too soon.

7 70. MK launched the COLLECTORS transactional website the next day. The
8 centerpiece of the website launch was the Jackie Robinson contract but, COLLECTORS investors
9 soon learned that the website was very sparsely populated with collectibles. The Dealer
10 inventories that had been promised were not on the website. The site did not have much more
11 inventory on it than when McLaughlin was given an early demonstration.

12 71. As Chapman highlighted and MK confirmed, based on a \$50 million valuation of
13 COLLECTORS, a \$1,000,000 investment in COLLECTORS would equate to a 2% ownership in
14 the Jackie Robinson contracts with a prorated value of \$720,000 (now that a formal appraisal had
15 been completed at \$36 million). The Jackie Robinson contract alone purportedly provided
16 McLaughlin with a hard asset of value equivalent to more than 70% of McLaughlin's \$1,000,000
17 investment.

18 72. In hopes that the Dealer inventory would soon be populated on the website,
19 McLaughlin wrote a blog about the COLLECTORS Launch and the Jackie Robinson contracts.
20 McLaughlin asked MK and Larry King's manager, Karl Ege, for approval to post the blog. Karl
21 gave his approval with one major edit. The original title of the blog was "Investing with Larry
22 King and Mykalai Kontilai" Karl Ege asked McLaughlin to change the first word in the title from
23 "Investing" to "Engaging". McLaughlin asked Karl Ege why Larry King wanted that change and
24 Karl Ege shared that Larry King did not want people thinking that Larry King endorsed the
25 investment in COLLECTORS.

26 73. In July 2016, with permission from Larry King and MK, McLaughlin published a
27 supportive blog and posted it in his newsletter. After hearing about Larry King's concerns,
28 McLaughlin was cautious in his writing. The last line of the blog post reads: "Like all new

1 business launches, there is a tremendous amount of work and implementation risk – but it’s an
 2 exciting time for Mykalai and all the stakeholders in Collectors Café.”

3 74. Contrary to Defendants’ repeated representations, the transaction website was never
 4 populated with the Dealer inventory and was shut-down shortly after the July 2016 blog. The
 5 COLLECTORS Launch never got off the ground. Between September 2016 and mid-December
 6 2016 McLaughlin hardly spoke with MK and Chapman about COLLECTORS. As in 2014 and
 7 2015, in 2016, none of the “big 4” components of COLLECTORS business plan had launched.
 8 COLLECTORS did not populate the website with the inventory under the purported Dealer
 9 contracts in 2016, COLLECTORS did not launch the transactional website in 2016 (other than an
 10 unpopulated version for a few months), COLLECTORS did not sign the TV Contract in 2016, and
 11 the Collectors Café TV Show with Larry and Shawn King did not launch in 2016 as represented
 12 by MK and Mr. Chapman in the meetings, discussions, demonstrations, and referenced in the
 13 purported investment documents used to induce McLaughlin’s investment in COLLECTORS.

14 **Jencess’ Introduction to COLLECTORS AND MK**

15 75. Kirk Jensen received an email from a business acquaintance, Brian Gaudet, who he
 16 was introduced to by a mutual friend in 2008. Mr. Gaudet said that there was an investment
 17 opportunity that sounded very promising. On February 27, 2015, Gaudet forwarded an email from
 18 Cori Dyer to Mr. Jensen. This email had a link to a two minute “sizzle reel” describing
 19 COLLECTORS that featured Larry King and his wife Shawn. This email represented in bold
 20 letters that:

21 **“Right now we have three billion dollars in merchandise on our**
 22 **COLLECTORS Café website. We launch both the show and the**
 23 **collectorscafe.com website in 60 days.”** (emphasis in original).

24 76. A conference call was held on March 2, 2015. On the call were MK, Mr. Jensen,
 25 Mr. Gaudet, Mr. Cole Merrick (who represented himself as a computer programmer for
 26 COLLECTORS), Ms. Dyer and other prospective investors. During this call MK represented that:

- 27 . there was \$3.25 Billion of merchandise loaded on COLLECTORS’S website;
- 28 . COLLECTORS had contracts with over 400 Dealers;

- 1 . profit for COLLECTORS is 20% from the Dealer/Seller and 20% from the buyer,
- 2 with a profit margin of approximately 65% with no inventory cost;
- 3 . COLLECTORS'S website launching in 60-90 days;
- 4 . Dealers were subject to eight background checks before permitted to appear on the
- 5 TV program and COLLECTORS'S website;
- 6 . AEON Affinity is handling claims and customer service;
- 7 . COLLECTORS and MK have created fraud protection called Authenticity
- 8 Insurance from major insurance companies, including Lloyds of London
- 9 Underwriters, AIG and Liberty Insurance;
- 10 . COLLECTORS has no debt and MK has funded operations from his own pocket;
- 11 . MK represented that COLLECTORS was the sole owner of the original Jackie
- 12 Robinson contracts valued at \$36 Million Dollars
- 13 . MK, along with Larry and Shawn King will host the COLLECTORS show; and
- 14 . MK met Carlos Slim last year and Slim has partnered with COLLECTORS.

15 77. Another investor conference call was held on March 3, 2015. Participating on this
16 call were Mr. Jensen, MK, Cole Merrick, Brian Gaudet, Ms. Dyer and other investors. During this
17 conference call with MK, the representations made in the March 2, 2015 conference call as
18 detailed in ¶76 were repeated.

19 78. Over the next two weeks, Mr. Jensen requested to see proof of the dealer network
20 by seeing samples of signed dealer contracts, as without dealers there would be no inventory, thus
21 there would be no sales, and thus there would be no commissions/revenues for the company. MK
22 represented that he could not provide copies of the dealer contracts because of non-disclosure
23 agreements.

24 79. On March 13, 2015, in response to these requests, MK set up a conference call with
25 Pete Segal, a proposed "master dealer" from New York. Participating on this call were Mr.
26 Jensen, MK, Dave Chapman (who introduced himself as V.P. of Investor Relations), Peter Segal
27 (who represented himself as a Master Dealer and doing business with COLLECTORS) and
28

1 Chester Aldridge, another potential investor. During this conference call with MK, the following
2 representations were made to Mr. Jensen:

- 3 . MK represented that he has perpetual, exclusive, non-terminating agreements with
4 hundreds of Dealers;
- 5 . MK represented that he had \$3.5 Billion Dollars of merchandise loaded on the
6 COLLECTORS website;
- 7 . COLLECTORS receives 20% commission on all items sold on its website while
8 other auction houses receive 25%;

9 80. As a result of and in reliance on the representations made above in ¶¶ 75-77; 79,
10 JENCESS, on or about March 18, 2015 “invested” \$200,000 in COLLECTORS’S Series A
11 preferred stock. A subscription agreement related to this investment dated March 12, 2015
12 represented that the COLLECTORS’S shares were “being offered and sold in reliance on
13 exemption from registration provided by Sections 3(b) and/or 4(2) of the 1933 Act and Regulation
14 D promulgated thereunder and are being registered for sale under the securities laws of the State of
15 California”.

16 81. As reflected in ¶44 herein, Defendants never filed a Regulation D filing with the
17 SEC nor any documents as required under CUSA. Plaintiffs also confirmed that COLLECTORS
18 has not filed any registration or exemption to sell securities in the State of California. Review of
19 California state records reflect that the only filing by COLLECTORS was with the Secretary of
20 State and had nothing to do with the sale of securities. That filing is presently in suspended status
21 due to action taken by the State Franchise Tax Board.

22 82. On or about March 13, 2015, Defendants sent to Mr. Jensen, by David Chapman
23 via email, a PPM for COLLECTORS dated April 28, 2008. Although this PPM bears the same
24 date and refers to the same offering as the PPM Defendants forwarded to Mr. McLaughlin, a
25 review of these documents reflects irreconcilable and material differences. For example, the April
26 28, 2008 PPM disseminated to Mr. McLaughlin represents that there were 10,000,000 aggregate
27 shares offered while the April 28, 2008 PPM provided to Mr. Jensen represented that there were
28 12,500,000 aggregate shares offered. The version of the initial PPM to Mr. McLaughlin reflects

1 that the proceeds of the offering will be used to retire “existing company debt” while the PPM for
2 the same offering provided to Mr. Jensen omits that material fact and represents that proceeds will
3 be used for the “purpose of funding initial infrastructure, operating capital and phase 1 expansion
4 of the company”. One PPM represented that the founders of COLLECTORS were Gary Ferrell
5 and MK while the other version represents that MK is the founder.

6 83. Although the PPM disseminated to Mr. Jensen refers to “financial statements”
7 purportedly to be found under “risk factors”, no such financial statements were included. A careful
8 review of this document by counsel in preparation of this claim reflects that it appears to be a cut
9 and paste using various different fonts and contains repetitive word for word paragraphs and
10 misspellings.

11 84. On April 14, 2015, Dave Chapman traveled to Edmonton Canada to meet with Mr.
12 Jensen, other investors, along with potential investors in COLLECTORS. Mr. Jensen met with Mr.
13 Chapman at the Sandman Hotel on the morning of the 15th or April. At this meeting Chapman
14 discussed the launch of the website and purported contracts that COLLECTORS had.

15 85. On May 6, 2015, Mr. Jensen was invited to meet with Larry King and MK at Mr.
16 King’s Beverly Hills home and thereafter go out to dinner with Mr. and Mrs. King, and Mr.
17 King’s agent. Also present were Brian Gaudet, David Chapman, Ms. Holt (COO) and another
18 potential investor. At this meeting MK represented to Mr. Jensen that:

- 19 . Larry King would be appearing on the COLLECTORS shows with MK;
- 20 . the COLLECTORS show would be aired world-wide; and
- 21 . the Jackie Robinson contracts will be shown for sale on the launched website.

22 86. During this May 6, 2015 meeting, Mr. Jensen was given a booklet by MK entitled
23 “Jackie Robinson’s Contracts – Founding Documents of the Civil Rights Movement” that showed
24 the Jackie Robinson contracts valued at \$36 Million Dollars by Seth Keller on January 25, 2015.
25 Further, Mr. Jensen was shown, on MK’s laptop, a letter on MLB letterhead referring to a
26 partnership MLB would purportedly like to enter into with COLLECTORS.

1 87. On or about May 15, 2015, in reliance on the representations made above in ¶¶ 75-
2 77; 79; 84-86, JENCESS “invested” an additional \$300,000 in COLLECTORS’S Series A
3 preferred stock.

4 88. In an email dated November 16, 2015 from MK with subject “Official
5 COLLECTORS Café Launch” addressed to all “COLLECTORS Café Believers” MK represented:

6 . “It is with great joy and excitement that after many years of development and
7 preparation, that we are announcing the OFFICIAL LAUNCH of the
8 COLLECTORS CAFÉ BRAND, COMPANY and COLLECTIBLES
9 REVOLUTION!!!!” (emphasis in original)

10 . “[T]he Company will launch on a date during the week of January 25, 2016
11 through January 31, 2016.”

12 . “[T]he launch will include the unveiling of our Legendary Collectibles Assets,
13 National TV Appearances, the launch of our CC North American Collectible Tour,
14 and VIP event.”

15 89. Throughout 2015 and 2016 COLLECTORS and MK represented to Plaintiffs that
16 the website was to be launched on April 15, Jackie Robinson Day, at the 2015 MLB All Star
17 Game; the 2015 MLB Post season; at an end of the year launch, the week of January 25, 2016 in
18 conjunction Jackie Robinson’s birthday, etc. Each of those deadlines came and passed without a
19 launch of the transactional website populated with many millions of dollars of dealer inventory or
20 the TV show or any meaningful business.

21 90. In addition to the material misrepresentations and omissions made to Plaintiffs, the
22 sale of these investments were illegal in that COLLECTORS was not only the issuer but self-
23 underwrote the offering of its securities. By selling COLLECTORS’S securities directly to
24 Plaintiffs (through compensated intermediaries Mr. Chapman and Mr. Gaudet), defendants were
25 acting as unregistered broker dealers and underwriters in the sale of these securities.

26 **THE TRUTH COMES OUT**

27 91. In early December 2016, McLaughlin received a phone call from Cori Dyer, a prior
28 marketing and media consultant with COLLECTORS. Mr. McLaughlin met Ms. Dyer at the

1 formal COLLECTORS Launch Party at the Rainbow Room in New York City on April 11, 2016.
2 During this December 2016 phone call, Ms. Dyer stated she was organizing a consortium of
3 investors to discuss MK's mismanagement of COLLECTORS and what could possibly be done to
4 attempt to rectify the situation. Cori Dyer shared that she had a direct line of communication with
5 other COLLECTORS employees and/or officers including Dave Chapman, Funding & Sales; Gail
6 Holt, COO; Rick Joseph, Entertainment Counsel and Lilibeth Feliciano, Investor Relations.
7 Thereafter there were numerous phone calls, text messages, and emails coordinated by Cori Dyer
8 to strategize ways to extract value from the investment. The participants on the calls included Cori
9 Dyer, Kirk Jensen, Rick Joseph, Ed McLaughlin, and on certain occasions, Steve Jackson.

10 92. On December 14, 2016, Dave Chapman picked-up Ed McLaughlin in Metropark,
11 NJ to discuss concerns about COLLECTORS with Mr. McLaughlin. Mr. Chapman and Mr.
12 McLaughlin had lunch together in Spring Lake, NJ at the On Third Café and Coffee Co. In a
13 conciliatory tone, Mr. Chapman informed Mr. McLaughlin that he was aware that Cori Dyer was
14 communicating with several investors regarding their "investments" in COLLECTORS. Mr.
15 Chapman stressed to Mr. McLaughlin that Cori Dyer could be trusted.

16 93. During the lunch meeting on December 14, 2016, Mr. Chapman relayed that he
17 was fed up with MK and that MK had lost most of his key employees due to business/personal
18 integrity issues and/or non-payment or late payment of compensation including: Rick Joseph,
19 Gail Holt, and Cori Dyer.

20 94. On December 28, 2016 at 12:00pm ET, a conference call coordinated by Cori Dyer
21 with Ms. Dyer, Steve Jackson, Mr. McLaughlin and Mr. Jensen was conducted. It was on this
22 phone call Mr. Jackson stated that he owned a significant share of the Jackie Robinson contracts
23 and he was organizing a legal action to attempt to force the sale. According to Mr. Jackson, upon
24 the sale of the Jackie Robinson contracts, the proceeds would be split as follows: 10% of the
25 proceeds off the top going to the Jackie Robinson Foundation and 10% of the proceeds off the top
26 going to Larry King. The remaining balance of the proceeds would be split equally between
27 COLLECTORS/MK (40% of the proceeds) and Mr. Jackson's investor group (40% of the
28

1 proceeds). This was counter to all prior representations made by MK to Plaintiffs about
2 COLLECTORS ownership of the Jackie Robinson contracts.

3 95. Plaintiffs learned for the first time that COLLECTORS/MK was merely a minority
4 owner and the calculations backing each investment were false and materially misrepresented.

5 96. Cori Dyer told McLaughlin that COLLECTORS was paying the bills for MK's
6 lavish hotels, meals and living expenses, including but not limited to, hotels and housing in Las
7 Vegas, New York, Miami, etc.

8 97. Cori Dyer shared that many consultants and employees were not paid in full and
9 on-time. Ms. Dyer relayed that Gail Holt (former COO), was frustrated due to MK's behavior
10 patterns and the manner in which he was running the business and handling financial obligations.
11 Other former employees who have left COLLECTORS who have expressed deep frustration with
12 management include Fabian Vincent, former CFO and Tara Selinas, a former blogger. Ms. Dyer
13 informed Mr. Jensen that she went on the Collectors website and personally counted the amount of
14 items available for sale and *as of September 2016 there were 852 items for sale and the total value*
15 *of these items were less than \$1 million dollars.* During this time frame, Defendants were
16 representing to investors that COLLECTORS had \$4.3 Billion Dollars loaded onto its website.

17 98. According to Ms. Dyer, as of Sept. 18, 2016 there were no bloggers "signed up" to
18 blog for COLLECTORS. During this time frame Defendants were representing to investors that
19 there were 200 bloggers signed up for COLLECTORS with hundreds of more bloggers waiting in
20 the wings. According to Ms. Dyer there were never hundreds of Dealers contracted with
21 COLLECTORS and Chris Shutte, former Dealers Relations for COLLECTORS confirmed that
22 there were *no dealers* signed up with COLLECTORS. Virtually nothing had been sold through
23 COLLECTORS.

24 99. To date there has been no proof of a dealer network or billions of dollars in
25 inventory. It is apparent that all the representations regarding the imminent signing of a TV
26 contract, launch of a transactional website, value of the COLLECTOR's inventory, contracts with
27 hundreds of dealers, need to invest now before price goes over \$1 as alleged herein were part of
28 Defendants' fraudulent scheme to entice Plaintiffs to invest under false pretenses. Plaintiffs are

1 extremely concerned that MK has diverted their money to his own personal uses and will seek
2 discovery to uncover exactly what defendants have done with Plaintiffs' money.

3 100. It is nine years after the April 2008 PPM and none of COLLECTOR's core
4 business has even gotten off the ground. The recent revelations of former key employees and
5 officers of the COLLECTORS as detailed in ¶¶ 91-98 reflect that these Defendants have brazenly
6 embarked on a massive fraud and that this whole venture was house of cards that is now being
7 exposed.

8 **CLAIMS FOR RELIEF COUNT ONE**

9 **AGAINST DEFENDANTS FOR FRAUD IN CONNECTION WITH THE PURCHASE OF**
10 **SALE OF SECURITIES IN VIOLATION OF §10(B) OF THE EXCHANGE ACT [15**
U.S.C. §78J(B)] AND RULE 10B-5 THEREUNDER [17 C.F.R. §240.10B-5]

11 101. Plaintiffs reallege and incorporate herein paragraphs 1 through 100 above.

12 102. Defendants knew, or were reckless in failing to know, of the material
13 misrepresentations and omissions contained in the statements set forth above. From at least July
14 2014 through the present, Defendants, directly or indirectly, singly or in concert, have made, and
15 are making, use of the means or instruments of transportation or communication in interstate
16 commerce, or of the mails, in connection with the purchase or sale of securities issued by
17 COLLECTORS, have knowingly, or with recklessness: (a) employed, or are employing devices,
18 schemes, or artifices to defraud; (b) made, or are making, untrue statements of material facts, or
19 have omitted, or are omitting to state material facts necessary to make the statements made, in the
20 light of the circumstances under which they were made, not misleading; and (c) engaged, or are
21 engaging, in acts, practices, or courses of business which have operated, or are operating, as a
22 fraud or deceit upon persons, in connection with the purchase or sale of securities issues by
23 COLLECTORS. In engaging in such conduct, the Defendants have acted with scienter, that is,
24 with intent to deceive, manipulate, or defraud or with severe and reckless disregard of the truth.

25 103. Plaintiffs have suffered substantial damages, in that, upon reliance on Defendants'
26 material misstatements and omissions concerning COLLECTORS detailed above, purchased 1.5
27 million dollars (\$1,500,000.00) of COLLECTORS securities which has proximately caused
28

1 Plaintiffs damages in the amount of \$1,500,000. By reason of the foregoing, Defendants, directly
 2 or indirectly, singly or in concert, have violated, are violating, and unless enjoined, will continue
 3 to violate §10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. §240.10b-5]
 4 thereunder.

5 **COUNT TWO**
 6 **FOR FRAUD**

7 104. Plaintiffs reallege and incorporate herein paragraphs 1 through 103 above.

8 105. As detailed in paragraphs 24 thru 100 herein, Defendants MK and COLLECTORS,
 9 individually, and in various conspiracies with one another, intentionally and/or willfully and
 10 wantonly engaged in wrongful, fraudulent and otherwise illegal schemes and representations to
 11 defraud Plaintiffs in connection with Plaintiffs' \$1.5 million dollars invested in COLLECTORS,
 12 including but not limited to the false representations made to Plaintiff BLUE SUNSETS
 13 concerning populating the website with the inventory under the purported Dealer contracts in
 14 2014; launching the transactional website in 2014; signing the TV Contract in 2014; launching the
 15 Collectors Café TV Show in 2014 with Larry and Shawn King; the use of the proceeds of the
 16 offering and, COLLECTORS'S 100% ownership of the Jackie Robinson contract; and, to Plaintiff
 17 JENCESS regarding COLLECTORS'S contracts with hundreds of Dealers; billions of dollars of
 18 merchandise loaded on the website; imminent launching of the website; COLLECTORS'S 100%
 19 ownership of the Jackie Robinson contract; the use of the proceeds of the offering; hosting of the
 20 Collectors Café TV Show by Larry King; and, world-wide airing of the show.

21 106. Plaintiffs reasonably relied on Defendant MK's knowingly fraudulent
 22 representations as CEO, Chairman of the Board, and President of COLLECTORS.

23 107. MK's and COLLECTOR's false representations were made with the intent to
 24 induce Plaintiffs to invest, collectively, \$1.5 Million in COLLECTORS.

25 108. As a direct result of Defendants' fraudulent conduct, Plaintiffs have suffered
 26 injuries in the amount of \$1.5 Million Dollars.

COUNT THREE
FOR UNJUST ENRICHMENT

109. Plaintiffs reallege and incorporate herein paragraphs 1 through 108 above.

110. Plaintiffs conferred a substantial benefit on Defendants by virtue of their collective \$1.5 Million investment in COLLECTORS.

111. Based on Defendants materially false representations, as delineated herein, Plaintiffs had a reasonable expectation of repayment on their investment.

112. Defendants realized, accepted and or retained the benefit of Plaintiffs' investment without payment or return of any of the value thereof.

113. As a result, Defendants have been unjustly enriched.

COUNT FOUR
FOR EQUITABLE RELIEF INCLUDING
ATTACHMENT AND CONSTRUCTIVE TRUST
AGAINST MK

114. Plaintiffs reallege and incorporate herein paragraphs 1 through 113 above.

115. Upon information and belief, Defendant MK has converted \$1,500,000 of Plaintiffs' monies for his own use and purpose. Plaintiffs request that this Court order a pre-judgment attachment of Defendant MK's assets in the amount of \$1,500,000 on any and all assets held or maintained by this Defendant.

116. As high-level investors who relied upon the representations and influence of Defendant MK as CEO, Plaintiffs enjoyed a confidential relationship with MK as CEO, Chairman of the Board, and President of COLLECTORS.

117. MK has wrongfully retained the Plaintiffs' investment and/or monies in the amount of \$1.5 Million under circumstances that are highly inequitable, and, indeed, fraudulent.

118. Plaintiffs request that this Court order that a constructive trust be imposed on all assets of Defendant MK in an amount not less than the \$1,500,000 Plaintiffs provided to Defendants.

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COUNT FIVE
FOR BREACH OF FIDUCIARY DUTY AGAINST MK

119. Plaintiffs reallege and incorporate herein paragraphs 1 through 118 above.

120. By the acts, transactions, and courses of conduct alleged herein, MK, as, *inter alia*, Chairman of the Board, President and CEO, has violated his fiduciary duties of good faith, loyalty and due care to Plaintiffs as investors.

121. The breaches of these duties are set forth in paragraphs 24 thru 101 herein.

122. MK engaged in self-dealing, conflicts of interest and made numerous irreconcilable material misrepresentations and omissions to Plaintiffs. As such MK has intentionally and wrongfully disregarded the interests of Plaintiffs and other shareholders and investors in COLLECTORS.

123. As a direct result of MK's breaches of fiduciary duty, Plaintiffs have suffered injuries in the amount of \$1.5 Million Dollars.

COUNT SIX
EQUITABLE RELIEF FOR AN ACCOUNTING

124. Plaintiffs reallege and incorporate herein paragraphs 1 through 123 above.

125. Defendants have possession or control of Plaintiffs' investment in the amount of \$1.5 Million.

126. Plaintiffs demand that Defendants provide a full accounting regarding the use and/or status of Plaintiffs' \$1,500,000 entrusted to Defendants.

COUNT SEVEN
NEGLIGENCE

127. Plaintiffs reallege and incorporate herein paragraphs 1 through 126 above.

128. By the acts, transactions, and courses of conduct alleged herein, MK, as, *inter alia*, Chairman of the Board, President and CEO, has negligently breached his duties of due care to Plaintiffs as investors and shareholders.

129. The breaches of these duties are set forth in paragraphs 24 thru 101 herein.

1 130. MK engaged in self-dealing, conflicts of interest, and made numerous
2 irreconcilable material misrepresentations and omissions to Plaintiffs. As such, MK has failed to
3 exercise reasonable care and negligently disregarded the interests of Plaintiffs and other investors
4 in COLLECTORS.

5 131. As a direct result of MK's negligence, Plaintiffs have suffered injuries in the
6 amount of \$1.5 Million Dollars.

7 **WHEREFORE**, Plaintiffs respectfully request that this Court enter judgment as follows:

8 (a) Compensatory damages in the amount to be determined at trial, relating to
9 Plaintiffs' \$1,500,000.00 (ONE MILLION FIVE HUNDRED THOUSAND DOLLARS)
10 "investments";

11 (b) An Attachment and Constructive Trust against the Defendants;

12 (c) Reasonable costs and disbursements in this action;

13 (d) Attorneys' fees;

14 (e) Interest;

15 (f) Rescission;

16 (g) An accounting;

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- 1 (h) Punitive damages and
2 (i) grant such other relief as this Court deems just and proper.

3 **JURY DEMAND**

4 Plaintiffs demand a trial by jury on all issues triable by a jury.

5
6 DATED this 17th day of January, 2018

7 **WOLF, RIFKIN, SHAPIRO,**
8 **SCHULMAN & RABKIN, LLP**

9 By: /s/ Don Springmeyer

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